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SUBJECT: SCENESETTER FOR CODELS FRIST, LUGAR, AND BEREUTER  
ATTENDANCE AT NATO SUMMIT IN ISTANBUL

11. (SBU) Summary: PM Erdogan's ruling AK Party (AKP) appears unassailable, with a two-thirds majority in Parliament and no viable opposition party. GOT legal reforms have improved the chances for an accession negotiation start date from the EU in December. Yet AKP struggles with corruption, ad hoc responses to key issues, lame implementation of reforms, and the entrenched opposition of an Establishment that views Islam-oriented AKP as a threat to core Kemalist principles of Turkey's "secular" republic.

12. (U) Turkish anti-terrorism cooperation remains solid; the GOT has permitted transit of supplies to our troops, and other forms of support for our efforts, in Iraq; and Turkey contributes troops to Afghanistan, Bosnia and Kosovo operations.

13. (SBU) Ankara views restoration of Turkish-Armenian relations as linked to Armenian withdrawal from occupied territories in Azerbaijan and recognition of the Turco-Armenian border. Turkey's Georgia policy is uneven, although Turkey provides humanitarian aid and, in cooperation with the U.S., assists the Georgian military. The GOT has pushed to improve relations with Arab states and Iran, but the Turks overlook their negative image in the Arab world. Turkish-Israeli relations have hit a low point following PM Erdogan's harsh criticism of recent Israeli actions in Gaza, though military and intelligence ties remain strong. Strong improvement of relations with "Eurasia" (i.e., Russia) remains an interest of a heterodox range of officials, businessmen, and academics.

14. (U) The Turkish economy has made an impressive recovery from the financial crisis of 2001 and near-crisis of 2003, but a high public debt and serious structural problems ensure continued vulnerability. End Summary.

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Ruling Party In Control, But Facing Challenges  
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15. (U) With a two-thirds majority in parliament, control of a majority of municipalities, and no viable political opposition, PM Erdogan and his AKP government appear firmly in control. AKP's passage of major legal reform packages and constitutional amendments appears to have put Turkey more firmly on track to get a negotiation start date from the EU in December. In his meetings with foreign leaders, Erdogan projects confidence, power, and a pragmatism that seems to belie his Islamist firebrand past.

16. (SBU) Yet, while seemingly at the peak of their power, Erdogan, his party, and his government face fundamental political challenges. AKP has not yet consolidated itself as a party and its leadership and the Cabinet increasingly struggle to impose direction on the parliamentary group. Erdogan's frequent travel interferes with his control of party policy-making and the Cabinet, and he stretches himself thin trying also to oversee Istanbul (he retains an intense interest in the management of the city he dominated as mayor from 1994-98 until forced out by the State).

17. (SBU) AKP's policy intentions remain hard to read and many of its legislative initiatives, while reasonable in principle, have foundered on bad drafting and fierce opposition from the establishment, an opposition which is able to prevail partly owing to AKP's unwillingness to take the lead in the public debate, especially on TV. AKP's anti-corruption promises, a major factor in its general election victory, have faded as corruption has infected the party and Cabinet. AKP has not yet come to grips with the deeply entrenched State bureaucracy or established a solid modus vivendi with the judiciary, armed forces, and presidency.

18. (SBU) AKP also faces unremitting resistance and pressure from an establishment which sees Erdogan and AK Party as direct threats to their definition of Turkey's "secular republic". The judiciary continually overturns government initiatives and President Sezer continues to reject many AKP nominees for posts in the bureaucracy. The establishment press and academic world cling to ill- or undefined concepts of "secularism" and "fundamentalism" as they charge AKP with

a Sharia agenda. The Turkish military and other elements of the "secular" establishment continue to assert that AKP intends to undermine Turkey's "secular" structure. The recent controversy over a government proposal to reform higher education and give graduates of vocational high schools (including religious high schools) greater access to university education intensified establishment suspicion; core elements of the establishment appear committed to using indirect methods to keep Erdogan and his party and government so off balance that he loses credibility and power and AKP splits.

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EU-Related Reforms Adopted, Implementation Lags  
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19. (U) The AKP government has passed three packages of wide-ranging political and constitutional reforms aimed at bringing Turkey into compliance with the Copenhagen Criteria for EU membership. The reforms apply to areas such as torture, free expression, religious freedom, the role of the military in government, and freedom of association.

10. (U) While praising the reform effort, EU officials have repeatedly noted that implementation to date has been slow and uneven. There has been an apparent reduction in the number of people prosecuted for controversial speech, though such cases continue. The controversial State Security Courts have been officially abolished but their replacement by new heavy penal courts has not yet been completed. There has also been anecdotal evidence that local authorities have become more flexible in allowing the use of the Kurdish language in public announcements and written statements. The State-owned broadcasting company on June 7 began broadcasting in Kurdish and other previously restricted minority languages, albeit under tight time limitations. The Government has also loosened restrictions on the freedoms of association and assembly, though Turkey still falls short of EU norms. However, there has been little progress on religious freedom, particularly for those other than Muslims. The Ecumenical Patriarchate's Halki Seminary remains closed. Parliament in 2002 adopted legislation allowing, in principle, certain non-Muslim foundations to acquire property for the first time since 1936, and to reclaim property expropriated by the State since that date. However, the State has continued a burdensome and capricious set of procedures and approved few applications. Non-Muslim groups, especially Protestants, continue to face difficulties in building churches and worshipping.

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Global War on Terrorism and Iraq  
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11. (U) Turkey has been a solid ally in the global war on terrorism. Since the Iraq war, Ankara has permitted the transit of supplies for our forces and humanitarian goods, offering to send troops to Iraq, approving the operation of tanker aircraft from Incirlik Air Base to support missions to/from both Iraq and Afghanistan, authorizing the transit of US troops from Iraq, and training Iraqi diplomats. This despite our actions in Iraq being highly unpopular among the Turkish public and our lack of military action against the PKK/Kongra Gel terrorist group's camps in northern Iraq. In Afghanistan, Turkey is contributing troops and helicopters, has offered to sponsor a Provincial Reconstruction Team in the north, and is prepared to send 1500 additional troops if NATO designates the Istanbul-based NATO High Readiness Force as the next commanding organization of ISAF. Turkey also contributes troops to operations in Bosnia and Kosovo, and is supportive of a number of nonproliferation activities, such as the Proliferation Security Initiative (PSI).

12. (SBU) Traditionally favoring US military hardware, the GOT last month canceled three major tenders (for attack helicopters, unmanned aerial vehicles, and main battle tanks), all of which had attracted bids from American firms. Frustration over technology transfer restrictions and IMF-mandated fiscal restraint were generally seen as prompting the move, although there is some speculation that the GOT's plans to restructure these programs could also be an effort to improve European companies, prospects prior to an EU decision to begin accession negotiations with Turkey.

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Foreign Policy  
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13. (U) In Ankara's view restoration of Turco-Armenian diplomatic relations depends on Armenian withdrawal from occupied territories in Azerbaijan (a Turkish ally) and Armenian recognition of the Turco-Armenian border, moves that appear unlikely in the short and medium term. Turkish-Armenian diplomatic contacts continue, but without significant progress on substance.

14. (U) Initially favoring Ajara and looking backward to

Turkish-Russian agreements on the region, the Turks subsequently leaned more toward President Saakashvili and urged a peaceful resolution of the Ajara crisis. The Turks provide humanitarian aid to Georgia and, in cooperation with the U.S., assist the Georgian military with equipment and training. Georgia would like to increase bilateral economic activity, but aside from truck traffic and the Baku-Ceyhan-Tbilisi oil pipeline route, there are few prospects on the horizon.

15. (U) The GOT has pushed to improve relations with Arab neighbors and Iran. Turks believe their Ottoman past gives them insight and influence in the region, but underestimate their negative historical baggage. Turkey's strongly "secular" state structure also limits its influence with Arab or other more Islamic-oriented neighbors. "Secular" Turks look askance at close ties with Islamic states.

16. (U) Turkish/Israeli political and public relations have hit a low point in the wake of Israeli targeted killings, Israeli killing of Palestinian civilians in Rafah, and PM Erdogan's public condemnation, in which he said Israeli actions could be viewed as "state terror." Turkey's Ambassador in Tel Aviv traveled to Ankara in early June for "routine consultations" but returned after a week. Turkey views itself as a potential mediator between Israel and the Palestinians. Turco-Israeli military and intelligence ties remain strong in some areas and the Turkish MFA is trying to maintain an even keel in relations. Defense industry cooperation may be increasing, as the Turkish procurement bureaucracy looks to less-restrictive Israelis for technology transfer, especially upgrades to U.S.-origin equipment.

17. (U) Some circles in the military, academe, the bureaucracy, the press and business world advocate development of strong relations with "Eurasia" (read Russia) as an alternative to the U.S. or EU.

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Economy Improving, Still Vulnerable  
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18. (U) Helped by a massive IMF program, the Turkish economy has made an impressive recovery from the financial crisis of 2001 and the near-crisis of early 2003, with inflation dropping to single digits, interest rates falling sharply, and growth in the 5 percent range in both 2003 and 2004. Still, the economy is not out of the woods, with a high public debt and serious structural problems ensuring continued vulnerability. The government has implemented sound fiscal policy, but has moved slowly to implement structural reforms, such as privatizations and strengthening of independent regulatory agencies, needed to ensure sustained growth. Turkey has not yet ratified the bilateral financial agreement governing the \$8.5 billion U.S. loan, nor has it moved to resolve the numerous investment disputes and problems that are deterring additional U.S. investment. The U.S. and Turkey continue to cooperate well in the development of the East-West energy corridor, designed to bring Caspian oil and gas to Western markets.

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